

**PEOPLE**

**Yuri to Return**

Yuri Oso, the widow of the late Beate John Lennon, is expected to return to her home in the United States after a stay in Paris. She is the widow of the late Beatle John Lennon, who was shot and killed in Paris on Dec. 8, 1980. She is expected to return to her home in the United States after a stay in Paris.

**The British actor**

The British actor, who is expected to return to his home in the United States after a stay in Paris. He is the actor who played the role of the late Beatle John Lennon in the film "The Beatlemania Years".

# In Spain, the Danger Of a Coup Diminishes

## Socialists Have Reshaped Military To Strengthen Civilian Control

By John Darnton  
New York Times Service

MADRID — Only history will show whether a small ceremonial gathering in a room of the prime minister's residence was really a turning point. But for the moment, most of the Spanish press and most of the people seem content to think so.

The ceremony Jan. 16 was to induct a chief of defense staff to head the armed forces, and three new chiefs of staff for each of the services — army, navy and air force. The post of chief of defense staff is new; the change in the command structure is designed to bring it more directly under civilian control and, by lessening the threat of a coup, to make Spain's eight-year-old democracy that much more secure.

Since Franco's death in 1975, the specter of *golpismo*, or coup-plots, has hovered over the country like a cloud, sometimes only a thin wisp, at other times a menacing thunderhead. But always there.

Now, after more than a year of Socialist rule, the danger seems to be receding.

"People don't talk much about a *golpe* anymore," a Spanish journalist said. "Some may still think about it every so often, but it's not a regular subject of discussion anymore. I think we're out of the woods, although, who knows, there could be another forest lying ahead."

In terms of personnel and politics, the army is still much as it was in Franco's day — rock conservative. From time to time there are rumblings of discontent in the low-paid and overstaffed officer corps, but nothing that constitutes what Spaniards call *saber rutilar*, those covert threats or open attempts to take power that struck four times at the waffling, right-of-center governments of recent years.

The mood of accommodation seemed tangible at the induction ceremony, a mixture of solemnity and smiles that prompted one newspaper to write, gushingly about a "honeymoon."

A lush carpet was lined on two sides by Spain's top-ranking officers, their chests ablaze with ribbons. They listened intently to remarks by Prime Minister Felipe Gonzalez about change and about professionalism and loyalty. His speech was sprinkled with references to "Spain," a word so revered by Franco that for years leftists never uttered it.

Then four of them strode, in turn, to a table holding a crucifix, a Bible and a copy of the constitution, where they took the oath of office. Afterward, coffee was served in the midst of a lot of handshaking and back-slapping.



King Juan Carlos I of Spain greeting the country's military commanders at the prime minister's residence. They are, from left, Admiral Angel Liberal Lucini, General José Saenz de Tejada, Vice Admiral Guillermo de Salas and General José Santos Perálba.

"Is it always like this?" exclaimed Vice Admiral Guillermo de Salas, 62, the new navy chief, a bit taken aback by all the fuss.

The chief of defense staff is Admiral Angel Liberal Lucini, 62, a tall, lean man with close-cropped hair who once served as a naval attaché in Washington. As a subsecretary in the Defense Ministry in 1977, he worked on changes in the military. He entered the Naval Military School in 1938 and so did not take part in the Spanish Civil War. His father, an army adjutant, was killed by the Nationalist troops who rose up in Franco's rebellion.

By contrast, most of the 520 other generals and top officers in the armed forces, whose average age is 63, fought on Franco's side. Several went on to fight alongside the Nazis against Soviet troops in World War II.

Admiral Liberal's appointment was prompted last week by the retirement of the former chairman of the Joint Chiefs of Staff, General Alvaro Llacort Llacort. The Socialists used the event to replace all the chiefs of staff. In addition to Vice Admiral Salas,

# Andropov Says Russia Ready for Talks but U.S. Must Make First Move

By Robert Gillette  
Los Angeles Times Service

MOSCOW — President Yuri V. Andropov assured the United States Tuesday that the Soviet Union wants to reopen a dialogue on arms control, but he challenged the Reagan administration to produce concrete new offers.

"There is no need to convince us of the usefulness and expediency of dialogue," Mr. Andropov said in an interview to be published Wednesday in Pravda, the Communist Party daily.

"The Soviet leadership is convinced that there exist possibilities for a serious discussion of a number of problems," Mr. Andropov observed. But he added that "dialogue should not be conducted for the sake of dialogue. It should be directed at the attainment of concrete results."

"We expect of the government of the United States of America practical deeds," he said. "This will find an appropriate response from us."

Mr. Andropov's remarks, distributed by the Tass news agency, were clearly meant as the Kremlin's formal reply to President Ronald Reagan's address on Jan. 16, in which he called for "constructive cooperation" with the Soviet Union, including renewed arms talks.

[In a separate development, Tass on Tuesday reported that Reagan's charges that Moscow had violated arms control accords and it accused him of launching a "new odious campaign" against the Kremlin, according to Reuters.]

The Soviet leader's statement was relatively restrained and measured in tone. It included standard Soviet charges that the United States bears full responsibility for the collapse of the Geneva talks on medium-range nuclear missiles and the general heightening of East-West tensions. But it was notably free of the vitriolic rhetoric that marked Foreign Minister Andrei A. Gromyko's speech last week at the opening of the European security conference in Stockholm.

The cooling of Soviet rhetoric appears to be a response to the conciliatory tone of Mr. Reagan's speech last week. Mr. Andropov nevertheless said it appeared the U.S. administration, while seeking renewed contacts with Moscow, has not given up what he called "its negative approach."

"The president's speech does not contain a single new idea, any new proposals either on the question of limiting nuclear arms in Europe or on other questions," Mr. Andropov said. "There is no sign of this in the American position."

Accusing U.S. negotiators at Geneva of "beating the air" for two years of fruitless talks, he asked, "Has Europe acquired greater security with the commencement of the deployment of American missiles?"

"Of course not," he added. "The nuclear danger has grown."

Mr. Andropov repeated a carefully worded formulation of Soviet terms for renewing talks on medium-range missiles, saying that the United States and its allies should "display readiness to return to the situation that existed" before the deployment of cruise and Pershing-2 missiles began in Western Europe last month. The implication appears to be that the United States need not remove the missiles now in place, but must show a readiness to do so, perhaps by bailing further deployments.

The Soviet leader also took issue with Mr. Reagan's statement that strength is essential to negotiate successfully while protecting American interests and that "strength and dialogue go hand in hand." While Mr. Reagan gave his words a different spin, suggesting the United States sought to dictate to the Soviet Union from a position of superiority.

"The American leadership, all signs indicate, has not given up its intentions to conduct talks with us from positions of strength, from positions of threats and pressure," Mr. Andropov said.

"We resolutely reject such an approach," he added. "Attempts to conduct such a 'power diplomacy' with us are a hopeless thing."

As a basis for a new dialogue, Mr. Andropov suggested several long-standing Soviet proposals, including a freeze on all nuclear arms, an idea the Russians themselves rejected in the 1970s when their strategic strength still lagged behind the United States, and the banning of weapons in space.

He also renewed the Soviet proposal for a mutual pledge against the first use of nuclear weapons and for a nonaggression treaty between the Warsaw Pact and the Atlantic alliance. Western governments, noting that neither agreement would be enforceable, have shown little interest. At the same time, Mr. Andropov made no reference to NATO calls for a worldwide ban on chemical weapons.

The Pravda interview contained no indication that Soviet negotiators were prepared to return to strategic arms limitations talks in Geneva. But in an apparent confirmation that Moscow will return to negotiations in Vienna on reducing conventional arms in Europe, Mr. Andropov said that, given Western readiness, "it is possible to commence the practical solution of the questions discussed at the Vienna talks."

The usual forum for Kremlin statements is a dinner speech honoring a visiting head of state, but Mr. Andropov, absent from public view now for more than five months, has instead favored the device of an "interview" with Pravda.

**NATO Presents Proposal**

The 16 North Atlantic Treaty Organization nations formally presented a six-point proposal for measures to prevent an accidental war as delegates to the European security conference began their business session Tuesday. The Associated Press reported from Stockholm.

The Warsaw Pact nations gave a guarded reaction to the NATO suggestions for a widened mutual exchange of information on military movements. Soviet officials indicated that Moscow would reject some of the Western proposals.

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# Japan Maintains Rise In Military Spending

By William Chapman  
Washington Post Service

TOKYO — After a final political showdown Tuesday night, the Japanese government produced a 1984 military budget that is 6.5 percent larger than that of the current year.

The compromise military spending package represents a bigger increase than the 5.1 percent proposed last week by the Finance Ministry, but below the level military officials had considered necessary, 6.9 percent.

The military budget, if adopted as expected, will be the equivalent of \$12.5 billion, an increase of about \$1 billion over the fiscal year 1983 budget.

Prime Minister Yasuhiro Nakasone intervened to obtain as much money for military spending as was deemed possible in a year of austere budget-making, Japanese news media reported.

News reports issued shortly before the compromise was announced said that Mr. Nakasone had reminded the negotiators that the U.S. attitude toward the military budget was important to Japan and had told them that he must explain the budget to the United States.

Mr. Nakasone has repeatedly spoken of expanding Japan's military capabilities in response to pleas from the Reagan administration and in view of the Soviet Union's military buildup in the Far East in recent years.

Last year's increase was also 6.5 percent and both the Pentagon and U.S. State departments had said that was insufficient to meet Japan's own military needs. Mr. Nakasone presumably felt that he could not accept less than this year.

The Finance Ministry, which compiles the national budget, had insisted until Tuesday night on holding military spending to a low increase.

The final compromise emerged from a meeting between Finance Minister Noboru Takeshita and leaders of the Liberal Democratic Party.

It will be presented to the parliament as the government's proposal and will likely be adopted after it is fiercely criticized by opposition parties. Mr. Nakasone reportedly pressed the party leaders to get an increase as high as 6.5 percent.

In strictly money terms, the final debate was over relatively modest sums. There was only a difference of about \$100 million between what the Finance Ministry wanted and what was adopted.

The \$12.5-billion budget figure conforms to the traditional rule that Japan's military spending in any year must not exceed 1 percent of the country's gross national product. The sum agreed on Tuesday night will amount to 0.99 percent of GNP. The current budget is 0.98 percent of GNP.

Japan Defense Agency officials said that an increase significantly less than 6.9 percent would force cutbacks that might endanger their five-year plan to modernize and expand their force of ships, planes and artillery.

That five-year plan, which covers the period from 1983 to 1987, is slightly behind schedule, according to Defense Agency sources. The new spending ceiling may force it to slip further. Precise spending projections were not available Tuesday night.

The Japanese press reported Tuesday that the final arguments were primarily over the number of F-15 jet fighters and P-3 sea patrol planes that the Defense Agency would be permitted to buy.

The new budget is to take effect April 1, the first day of Japan's 1984 fiscal year.

# Army Posts Are Shelled Near Beirut

By Michael Weisskopf  
Washington Post Service

BEIRUT — Lebanese Army positions outside Beirut were reported to have been shelled Tuesday as the government prepared again to activate a military disengagement plan.

State-run Beirut radio said positions near Souk al-Gharb and Alei, in the mountains southeast of Beirut where the army confronts Syrian-backed Druze militia, were shelled and mortared. It said an Indian national was killed when shells fell on Wadi Shahrour, nine kilometers (six miles) from Beirut.

Three shells exploded near an army position beside Beirut International Airport near the U.S. Marine base. A position near the presidential palace at Baabda was also shelled, the radio added.

# China Calls on Moscow To Be Flexible in Talks

By Michael Weisskopf  
Washington Post Service

BEIJING — Hu Yaobang, the leader of China's Communist Party, on Tuesday renewed China's call for rapprochement with the Soviet Union and lamented the lack of progress in over a year of negotiations to normalize relations.

In an interview with French journalists, Mr. Hu suggested that greater flexibility by Soviet negotiators could help reduce the differences between the two Communist nations.

"From my own observation and experience in international exchanges," Mr. Hu was quoted as saying, "anyone who regards himself the most clever and omnipotent would never be successful with this kind of attitude."

Amid the recent warming in U.S.-China relations, Mr. Hu's remarks appeared as an attempt to reassure Moscow of Beijing's continued interest in settling Chinese-Soviet problems.

The Kremlin was particularly uneasy over this month's visit to the United States by Prime Minister Zhao Ziyang, a trip that has been hailed in Beijing as a great success. Soviet displeasure was fueled in harsh attacks in the media accusing China of a pro-American stance on the issue of nuclear arms.

Beijing and Moscow opened talks in October 1982 aimed at normalizing relations after 20 years of dispute. Although commercial and cultural ties have improved, political relations remain cool because of major unresolved issues.

China insists that the normalization be preceded by a pullback of Soviet troops from Afghanistan and from China's northern border, as well as an end to Soviet aid to Vietnamese forces in Cambodia.

"We are sincerely for normalization of our relations with the Soviet Union," Mr. Hu said in Tuesday's interview. "But it is a pity that no substantive progress has been made so far in this respect."

Asked if rapprochement was still a possibility, he replied: "Of course there exists such a possibility, and it is also our hope."

The fourth round of normalization talks is to be held at Moscow in March.

Mr. Hu, whose remarks were carried Tuesday night by the official Xinhua news agency, met with French journalists who have come to Beijing for celebrations marking the 20th anniversary of Chinese-French diplomatic relations.

Mr. Hu also sought to dampen speculation of a leadership split on policy toward Washington. He is thought by some diplomats to be a staunch critic of the United States in inner-party debates, and his remarks while visiting Japan last November supported such thinking.

In December, Mr. Hu had (Continued on Page 2, Col. 5)

# U.S. Decides Not to Test Moscow Troop Offer

By Leslie H. Gelb  
New York Times Service

WASHINGTON — President Ronald Reagan has decided not to change the Western negotiating position on reducing troops in central Europe, according to administration officials.

The Western position has been that agreement on data about troop levels on both sides must precede withdrawals. The officials, speaking before President Yuri V. Andropov's statement on Soviet-U.S. relations on Tuesday, said Mr. Reagan had decided to keep to this position despite recent Soviet concessions on on-site inspection.

Since last summer, they said, Moscow has been developing a proposal for small Soviet and U.S. withdrawals from central Europe, to be verified by "permanent" stationing of inspectors on either side and by other on-site means.

West Germany, in particular, has been urging a test of Moscow's offer. Britain has opposed it despite Prime Minister Margaret Thatcher's recent calls for intensifying East-West contacts.

Secretary of State George P. Shultz said Sunday that the Mutual and Balanced Force Reduction talks between most North Atlantic Treaty Organization and Warsaw Pact countries would resume March 16 in Vienna. He said that Foreign Minister Andrei A. Gromyko of the Soviet Union had suggested the resumption in their Stockholm meeting last week. The talks lapsed in December without Soviet agreement on a resumption.

"Everyone is reading the president's decision his own way," a senior White House official said.

Officials said that after Jan. 13 meeting at the White House, Mr. Reagan issued a memorandum ordering "flexibility" and probing of the Warsaw Pact position. While State Department officials interpreted this as a holding action and continue to hope the president will change his mind, Pentagon officials argue that the memorandum closes the book, at least until after the talks resume.

Most of Mr. Reagan's advisers, apart from Mr. Shultz, counseled against making a move that would weaken the standing Western demand for agreement on troop data before agreement on any troop withdrawals. Atlantic alliance estimates of Warsaw Pact ground and air forces on the central front exceed the Soviet side's figures by about 180,000. The new Soviet formula seeks to sidestep differences over data by beginning with verified withdrawals.

Officials said that senior Reagan administration officials are also skeptical about the military benefits to the West of troop reductions and want, therefore, to drive as hard a bargain as possible. Western concerns are that once U.S. troop withdrawals began, demands for further withdrawals would be hard to contain and that Soviet forces would be removed to nearby Soviet territory while U.S. forces would have to leave Europe entirely.

As described by Western diplomats, Soviet negotiators began to talk about their new approach in June. At first, they offered acceptance "in principle" of the need for on-site inspections. In response to questions, they said this could include the establishment of agreed sites and entry points for all troops in the central area to be manned by military officers from opposing sides, notification of troop movements and challenge inspections.

The Soviet Union has traditionally opposed on-site inspections as interference in its domestic affairs and as unnecessary in view of satellite surveillance. Various forms of (Continued on Page 2, Col. 6)

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PROTEST AGAINST KOHL — A policeman picks up a West German flag torn down outside the Jerusalem offices of Prime Minister Yitzhak Shamir. The suspect, with police in background, was among several persons who protested the arrival Tuesday of Helmut Kohl, the West German chancellor. One protest took place as Mr. Kohl visited a memorial to Jews killed in World War II.

# Democrats to Press for Beirut Pullout

By Steven V. Roberts  
New York Times Service

WASHINGTON — As Congress returned to work after a two-month recess this week, Democratic leaders said they would move swiftly on legislation to bring U.S. Marines home from Lebanon ahead of the current schedule.

This could bring a confrontation with some Republican leaders and the Reagan administration, who repeated their belief on Monday that the Marine mission in Lebanon was necessary to bring stability to the Middle East and counter international terrorism.

[House support for keeping U.S. Marines in Lebanon is fading, particularly among Democrats, United Press International quoted the speaker, Thomas P. O'Neill Jr., as saying Tuesday.]

[Mr. O'Neill said he expected fellow Democrats to demand a caucus to press for a resolution to remove the Marines from Lebanon. "I think the votes are there," he said.]

On the first day of the second session of the 98th Congress, leaders from both parties predicted that the year would be short, unproductive, and marked by a high degree of partisan wrangling.

This is a presidential election year, Senator Howard H. Baker Jr., the Republican leader, said in the Senate on Monday, "and the conventional wisdom is that Congress always stunts controversy and long sessions in these years."

But the congressional debate over Lebanon is likely to be sharp and angry, in part because foreign policy looms as a major issue in the coming election. When Congress invoked the War Powers Resolution last fall, it authorized the president to keep the Marines in the Beirut area for 18 months until the spring of 1985. But on Monday, Democrats said that rising discontent among voters would force Congress to alter that authorization.

"I think the pressure is increasing to bring the Marines out," said Representative Lee H. Hamilton of Indiana, the ranking Democrat on the House Foreign Affairs Committee.

But Mr. Baker said that the Republican-controlled Senate would stand behind the administration.

"Barring unforeseen circumstances," he said. "I think we are not likely to change the current resolution." He added that if Congress moved on its own to withdraw the troops, they would be "putting the stamp of approval on international terrorism."

In a letter to Mr. Hamilton released on Monday, President Ronald Reagan made a similar argument, saying that "precipitous removal" of the U.S. force and its allies would "critically undercut" efforts to promote "stability and peace" in the region.

To defuse the growing anxiety on Capitol Hill, however, a high-ranking White House official is telling lawmakers privately that the administration has "no intention" of keeping the Marines in Lebanon for the full 18 months.

Mr. Hamilton said he received a phone call Friday night from Robert C. McFarlane, the president's national security adviser. According to the Indiana Democrat, Mr. McFarlane apologized for the "clumsy wording" to ease passage of the president's letter, which seemed to commit the administration to the 18-month mission.

# Reagan Budget Deficit Will Be \$180 Billion

By Jonathan Fucrbringer  
New York Times Service

WASHINGTON — President Ronald Reagan will send a budget for fiscal 1985 to Congress next week with a projected deficit of \$180 billion based on spending of \$925.5 billion, according to administration officials.

The budget will show no substantial decline in the deficit before the fiscal year 1988, officials said, a projection that could disturb both Congress and the financial markets.

Officials said all final decisions on the budget had been made. "We are locked up," said one official. In a reflection of both the election year and President Reagan's opposition to new taxes, the budget will propose about \$3 billion in net reductions in nonmilitary domestic spending.

No major tax increases will be proposed, although Mr. Reagan will endorse a package of many small measures that could help trim future deficits.

On the other hand, an administration official said, the budget will show a continued buildup in military spending, with an increase of about 14 percent in fiscal 1985, which begins Oct. 1.

Because of these decisions, the projected deficit falls to \$177 billion in 1986 and moves back up to \$180 billion in 1987. Then there are sharp drops, to \$151 billion in 1988 and \$122 billion in 1989, partly because of increases already legislated in the Social Security payroll tax.

Martin S. Feldstein, chairman of the Council of Economic Advisors, said last week that the deficit projections were too low. He reasoned that high interest rates, caused by these deficits, would drive up debt costs and also decrease tax revenues by slowing the economy, making the actual figures higher.

One official said. "There are no doubt the numbers Feldstein had in mind when he said they would not happen."

The impact of the president's (Continued on Page 2, Col. 2)

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## No. 2 Justice Official Will Leave Department With Attorney General

By Mary Thornton  
Washington Post Service

WASHINGTON — Deputy Attorney General Edward C. Schmitt, the No. 2 official at the Justice Department who has been praised by many in the administration and in Congress for his stewardship of day-to-day operations, has joined his boss in announcing plans to leave the administration.

Mr. Schmitt disclosed his decision Monday, the same day President Ronald Reagan had announced that he would nominate Edwin Meese 3d, the presidential counselor, to replace William French Smith as attorney general.

Mr. Schmitt said he had decided six weeks ago to accept a job with a private corporation in Connecticut. He said Mr. Smith had asked him not to announce his departure until Mr. Smith had made his own decision.

Mr. Smith, 66, a multimillionaire lawyer who has long been a Reagan adviser, summed up his tenure at a news conference Monday, saying: "I'm not aware of any previous administration that has made as many changes in policy and organization at the Justice Department as we have in the last three years."

"There certainly is more to be done," he added.

Among his achievements, Mr. Smith listed:

- Bringing the Federal Bureau of Investigation into the war against drugs.
- Establishing nationwide drug task forces.
- Opposing mandatory school busing and racial hiring quotas as remedies for racial discrimination.
- Stepping up the collection of debts owed the federal government.



**HOUSING CRUSH** — Police dispersed an estimated 4,000 to 5,000 people who blocked rush-hour traffic in downtown Chicago after converging on a council office to get application forms for subsidized housing. Police said some people thought that jobs were being offered.

## 53 in U.S. Are Charged With Drug Trafficking

By Jube Shiver Jr.  
Los Angeles Times Service

LOS ANGELES — Fifty-three persons in an alleged narcotics ring operating across the United States have been indicted on charges of trafficking large quantities of cocaine, marijuana and heroin.

The indictments were made Monday. More than 200 federal, state and local law enforcement officers took part in the investigation.

At an Atlanta news conference, D. Lowell Jensen, an associate U.S. attorney general, said that the ring had smuggled about five tons of cocaine from Colombia into Georgia, Florida, Tennessee and Pennsylvania between June 1982 and September 1983. Of that amount, authorities seized 2,640 pounds (1,200 kilograms), worth about \$940 million if sold on the street, FBI agents said. (A U.S.-led effort to cut production of cocaine from Bolivia is failing, Page 6.)

In Southern California, where the investigation began, the FBI on Monday arrested a Beverly Hills lawyer and three other men. The four were among 13 indicted in Los Angeles on charges of planning to smuggle marijuana from Colombia into Los Angeles Harbor aboard a tuna boat.

The nine others indicted in Los Angeles were either in jail or under surveillance, authorities said.

Mr. Nelson said that the investigation began in May 1982, when agents uncovered drug leads obtained through a Los Angeles wiretap placed for surveillance not involving narcotics. He declined to elaborate.

Mr. Nelson said that the nationwide operation was directed by Harold J. Rosenthal, 53, from his prison cell in Atlanta. He was among the 13 accused of conspiring to smuggle marijuana into Los Angeles Harbor.

Mr. Rosenthal escaped from a federal prison in Memphis, Tennessee, in 1981 and was recaptured in Colombia and extradited to the United States in September 1983.

## French Papers Assail Editor's Jailing And Confiscation of Television Film

By John-Thor Dahlburg  
The Associated Press

PARIS — The jailing of an editor charged with stealing grisly photos of a cannibal's victim and, in a separate case, the police seizure of television footage have led the French media to denounce what they see as "scandalous" precedents for limiting press freedom.

Jean Durieux, deputy editor of the weekly picture magazine *Paris Match*, was jailed Monday on charges of "theft and receiving stolen property." His arrest was ordered by a magistrate investigating how *Photo*, a monthly magazine owned by the *Paris Match* group, obtained 12 police photographs of pieces of human flesh. They were published in *Photo* last month.

The action against Mr. Durieux followed the recent confiscation by police of television film shot during the funeral of a Corsican nationalist killed by his own bomb. The videotape, showing masked mourners firing pistols into the air, was later handed back to Corsican regional TV for broadcast, but the police action touched off sporadic newsroom strikes against "censorship" at regional stations of the state-owned television network FR3.

It was Mr. Durieux's arrest, however, that raised the alarm in newspapers across the political spectrum, except for that of the Communists.

Max Gallo, the spokesman for the Socialist government of President François Mitterrand, called the Durieux case "serious and unpleasant" and acknowledged that it posed the problem of how French journalists can legally "keep their sources a secret."

Mr. Durieux said the gruesome photos were provided "by a stranger." In a special section entitled "Crazy Love," designed to be sliced open with a paper cutter, last month's *Photo* reproduced pictures of the remains of a 25-year-old Dutch woman, who was killed, then cut into pieces, by Issai Sagawa, a Japanese citizen who confessed to cannibalism. The incident occurred in Paris in 1981.

The family of the woman demanded an injunction to block distribution of the magazine, and a judge ordered copies pulled off newsstands.

The charges against Mr. Durieux and his jailing were termed a simple "matter of common law" by the Paris prosecutor's office.

The publisher of *Photo*, Frank Tenot, admitted in an interview that the pictures "were probably legally obtained" from police archives, but he said the editor's arrest set an "extremely dangerous" precedent.

French law does not recognize a journalist's right to keep sources secret, but Paris press circles could remember only one precedent for the case, the jailing in 1974 of a journalist accused of acquiring a checkbook bearing the name of former President Georges Pompidou.

Many French dailies have demanded Mr. Durieux's release. The conservative *Le Figaro* called his confinement a "scandalous act" that "throws into question the freedom of the press." The pro-Socialist *Le Matin* said: "We are all on the side of Jean Durieux."

Commenting on the seizure of Corsican TV film, Mr. Gallo did not defend the police action, but noted that "the state has a duty to protect democracy from terrorism."



Jean Durieux

## Dismissal of West German General Conditionally Backed by Colleagues

Reuters

BONN — West Germany's commanding generals gave conditional support Tuesday for the dismissal last month of a top NATO colleague, but said that his honor as a military officer must be restored if the evidence against him was found to be inadequate.

Inspector General Wolfgang Altenburg, the equivalent of a chief of staff, said his generals had agreed on the basis of facts available last month. Defense Minister Manfred Wörner had to act against General Günther Kissling, one of the North Atlantic Treaty Organization's two deputy supreme commanders.

General Altenburg said the agreement came during a briefing. General Kissling, 58, was forced to take early retirement on Dec. 31, after the West German military counterintelligence service found witnesses who said they had seen him in a homosexual bar in Cologne.

The service declared him a security risk.

General Kissling has denied having been in the bar and has filed lawsuits against persons unknown for slander and false accusations against the government for allegedly violating his pension rights. The first lawsuit appeared to have been directed against the witnesses, who have asked that they not be identified.

General Altenburg said the generals, who had questioned Mr. Wörner during the five-hour briefing, had unanimously agreed that General Kissling would have to be formally "rehabilitated" if investigations into his case found no basis for the homosexuality claim.

The term "rehabilitated" means that his honor as a soldier would be restored, and not necessarily that he would be reinstated. General Kissling has indicated that he does not want to return to the military.

Mr. Wörner has been sharply criticized over the affair, largely because of the handling of the evidence against General Kissling. There have been reports that the person seen in the Cologne bar may not have been the general, and General Kissling has expressed anger that Mr. Wörner accepted the assertions of the witnesses over his "word of honor."

Political sources have said that the coalition government is considering the possibility that it may have to rehabilitate General Kissling.

In this case, they said, Mr. Wörner would probably stay on, but there would be changes at the military counterintelligence service.

The government has agreed to opposition demands for an investigative committee in the Bundestag, or parliament.

In another development Tuesday, the Young Liberals, an offshoot of the Free Democratic Party, called for an end to discrimination against homosexuals in the armed forces.

The Free Democrats are the junior members of the governing coalition, which is led by the Christian Democrats.

## U.S. High Court Limits Federal Judicial Power

By Jim Mann  
Los Angeles Times Service

WASHINGTON — The Supreme Court has imposed a far-reaching new curb on the power of the federal judiciary, deciding that federal courts have no authority to order state officials to obey state laws.

The court ruled, 5 to 4, Monday that the U.S. Third Circuit Court of Appeals in Philadelphia exceeded the scope of its power when it held that Pennsylvania law required state officials to take steps to ensure the proper care of mentally retarded residents in a state institution.

The decision greatly expands the scope of the 11th Amendment, a provision ratified in 1795 that gives state governments immunity from being sued in the federal courts without their consent. Before Monday, the Supreme Court had repeatedly held that this amendment did not apply to suits charging individual state officials with violating the law.

"It is difficult to think of a greater intrusion on state sovereignty than when a federal court instructs state officials on how to conform their conduct to state law," Justice Lewis F. Powell Jr. wrote for the court. "Such a result conflicts directly with the principles of federalism that underlie the 11th Amendment."

The four dissenters, Justices John Paul Stevens, Harry A. Blackmun, Thurgood Marshall and William J. Brennan Jr., termed the ruling "completely unprecedented" and an example of "unbridled lawmaking." They said the action repudiated at least 28 decisions, dating back more than a century, in which the Supreme Court had held that federal judges have the power to require state officials to obey state laws.

But Justice Powell, joined by Chief Justice Warren E. Burger and Justices William H. Rehnquist, Sandra Day O'Connor and Byron R. White, said that many of these precedents were outdated and that others had been misconstrued.

The decision is an important victory for state officials, one that could prevent them from being questioned by federal judges about their policies concerning hospitals, prisons, mental institutions or other procedures.

The ruling was handed down in a long-running legal battle (Pennhurst vs. Halderman) over the Pennsylvania State School and Hospital in Spring City, Pennsylvania. In 1979, acting on a suit by civil rights lawyers, the Third Circuit Court of Appeals decided that state officials should take steps to close the institution under a 1975 federal law.

Two years ago, the Supreme Court reversed this decision. But, when the Pennhurst case went back to the appeals court, it reimposed the judgment, saying that the measures it had earlier ordered were also required by a state law. Pennsylvania officials then again appealed the case to the Supreme Court.

## Reagan Gives In to Stanford In Fight Over Study Center

By Anne C. Roark  
Los Angeles Times Service

LOS ANGELES — In an unexpected move, the White House capitulated to Stanford University on the administration of a proposed Reagan library, clearing the way for the establishment of a new research complex on the campus.

"We are very pleased that the Ronald Reagan Presidential Library and Museum will be located on the Stanford University campus, and we accept the offer of the Board of Trustees in this regard," the presidential counselor, Edwin Meese 3d, said in a letter to the chairman of the Stanford board. The letter, dated Jan. 17, was made public Monday.

In the letter, Mr. Meese indicated that the White House had backed down from its demand that the proposed \$65-million library include a public-affairs center operated by the Hoover Institution, a conservative think tank affiliated with Stanford.

Instead, Mr. Meese suggested that Stanford consider leasing land for a national public affairs center administered independently of both Hoover and the university. The recommendation in effect separates the library and museum from the proposed center.

Last fall, the university's board had welcomed the proposal for a presidential library and museum but the board, along with President Donald Kennedy and the Stanford Faculty Senate, had adamantly opposed Hoover's proposal to administer the center for public affairs.

Although Stanford officials insisted that the complex be administered by the university itself, the White House had indicated that such a proposal was unacceptable.

The Meese letter, however, indicated that the president was willing to accept Stanford's offer to build a library to house Mr. Reagan's papers and a small museum for presidential memorabilia. Mr. Meese did not agree to let the Stanford faculty and administration run the public affairs center. Instead, he proposed that a national center be operated by an independent foundation.

## Chilean Pact Gets Mixed Reactions In Buenos Aires

The Associated Press

BUENOS AIRES — The signing of a declaration of peace and friendship by Argentina and Chile was praised as a positive step Tuesday by Argentine senators who must approve any eventual treaty resolving the countries' dispute over three islands in the Beagle Channel.

But a former vice president, the retired Admiral Isaac Rojas, called the declaration, signed at the Vatican on Monday, "a betrayal." The document, he said, is "a disloyalty to the fatherland and a betrayal of its history."

A secret papal proposal for resolution of the dispute reportedly grants sovereignty of Lennox, Picton and Nueva islands to Chile.

Adolfo Gass, chairman of the Argentine Senate's foreign relations panel, said the declaration was "positive and important" and "reaffirms Argentina's pacifist position." Senator Gómez Centurion said it "would help improve Argentina's image abroad" and "should serve as a starting point for economic integration with Chile, which would in turn promote continental unity."

Foreign Minister Dante Caputo emphasized Monday, however, that the declaration did not constitute a resolution of the dispute over the islands.

## Several Killed in Renewed Violence In Northern Morocco, Diplomats Say

The Associated Press

RABAT, Morocco — A clash between government forces and demonstrators left several people dead in a northeastern village, local and diplomatic sources said Tuesday. It was the first reported violence since King Hassan II said Sunday he was suspending plans to increase food prices.

Diplomatic sources said Monday that about 60 demonstrators in northern Moroccan cities died during riots last week over government plans to raise food prices.

The new violence occurred Monday in Berkane, near the Algerian border, the sources, who asked not to be identified, said. They were unable to say exactly how many people died.

Local sources in Nador, 350 miles (582 kilometers) northeast of Rabat, said some shops and factories there were closed Tuesday by a strike to protest the methods used to suppress last week's riots.

They said the strike was called by the leftist revolutionary movement *Illal Amman*, or *Forward*.

An official at Nador City Hall, reached by telephone from Rabat, said "everything is calm in Nador and slowly returning to normal."

The diplomatic sources in Rabat had said about 20 people died during the rioting in Nador and about 100 were injured. The same sources

said 40 other people were killed during riots in other northern Moroccan towns.

A spokesman for the Interior Ministry in Rabat said Tuesday that all of northern Morocco had returned to calm.

**Spain Concerned**

Spain is keeping a close watch on the riots, concerned that the disorders may lead to a revival of Moroccan claims over two Spanish enclaves on the Mediterranean that are bound on three sides by Moroccan territory. The New York Times reported Tuesday from Madrid.

The enclaves, Ceuta and Melilla, are situated close to two of the Moroccan towns where violence was most widespread last week, Tetouan and Nador.

Some of the concern in Spain comes from the fact that, at a time when the Moroccan government was imposing a news blackout on the riots, much of the information that reached the outside world came from the Spanish territories.

To some extent, the region's economic problems have been complicated by the presence of the Spanish enclaves. Ceuta and Melilla provide jobs for thousands of Moroccans who cross the borders daily.

But they are also free ports and have traditionally provided thousands throughout the region with a livelihood from smuggling.

## Editor's De

A military indictment charged Tuesday that Pope John Paul II in 1981, killed in 1979 on orders from figures linked to the Mafia.

The chief military prosecutor of the Italian Republic said the indictment involved the Mafia-linked on an Istanbul street.

Mr. Agca told investigators that figures of him to kill Mr. Ipekci because the Mafia is a term often used to describe people dealing in illegal guns and drugs.

## Crackdown on B

Schools, banks and shops in the city Tuesday in a strike called to protest acts by security forces. Local police said a municipal policeman, were dead in the region in the past few days and were arrested in Tolosa early Tuesday, having links with the guerrilla movement. Riots, bombings and kidnappings in the state.

## ambassador to Italy

Amman d-Tips Tuesday at a Rome hospital. Mr. Taji, 40, was shot in the chest and shoulder on Saturday. A group calling itself Al Borkan claimed responsibility for the killing.

A council opened a three-day meeting Tuesday in the East-bloc trade group, known as the Economic Assistance, is preparing for its meeting in Dakar with the speaker of the parliament, Mr. Arzafat, the leader of the party, was beginning a tour that will also visit other Arab states.

## David Lange

David Lange, arrived in the Pacific political leaders and Pope John Paul II, is scheduled to leave for London.

## new southern Africa

new southern Africa issues have been discussed by the secretary of state for Africa, Mr. Cape Verde. Mr. Wiser

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## Thousands in Manila Protest Marcos Regime, Urge Election Boycott

United Press International

MANILA — Thousands of protesters, some carrying banners demanding the "overthrow" of the U.S.-backed Marcos regime, gathered in Manila's financial district Tuesday for the first major anti-government demonstration this year.

The 7,000 demonstrators chanted "boycott, boycott," in a reference to parliamentary elections May 14, the first electoral test for President Ferdinand E. Marcos since the Aug. 21 assassination of the opposition leader, Benigno S. Aquino Jr.

Opposition leaders have called for a boycott unless Mr. Marcos agrees to curtail his authoritarian powers.

Mr. Aquino's murder while in military custody after returning from three years of exile in the United States set off the worst anti-government demonstrations of Mr. Marcos's 15 years in power.

In a related development, Cardinal Jaime Sin, the Roman Catholic archbishop of Manila, warned that the boycott could lead to revolution.

"It would perpetuate those in power and it will lead down to a revolution later on," he said in an interview.

The demonstration came as a panel probing Mr. Aquino's murder banished the Communist Party chairman from the witness stand for refusing to admit leadership of the banned group.

Jose Maria Sison, 44, founder of the party, had been summoned to answer allegations that his party ordered Mr. Aquino's assassination.

Mr. Sison, who has been in jail since his capture in 1977, testified that he faced rebellion and subver-

sion charges and that an admission that he was the party chairman could incriminate him.

Military investigators have said that Mr. Aquino was shot to death by Rolando Galman, who the police say was a criminal and a Communist guerrilla. Mr. Galman was slain by guards at Manila International Airport moments after Mr. Aquino was killed.

Critics charge the military was involved in Mr. Aquino's death.

In a separate case, authorities refused bail Tuesday for two Roman Catholic missionaries, the Rev. Brian Gore, 40, of Perth, Australia, and the Rev. Niall O'Brien, 43, of Dublin, accused in the 1982 slayings of Mayor Pablo Zola and four of his aides near the town of Kabakalan.

There was no immediate announcement of a trial date.

The two priests are being kept in a guest house at a military stockade near the city of Bacolod on Negros Island.

Father Gore and Father O'Brien were among nine church workers charged last May with the March 1982 slayings.

The two missionaries, who worked on the island for more than 10 years, claim that powerful sugar barons framed them in an attempt to force them to leave the island.

The priests established communities for impoverished workers, and church officials said the plantation owners feared the peasants were being given a unified voice in labor and other disputes.

The others charged in the murder were all Filipinos, including six lay workers and one priest, the Rev. Vicente Dangan, who was granted bail Tuesday of \$2,857, according to the Rev. Nicholas Murray, superior of the Columbian Fathers.



**HONG KONG TALKS** — The governor of Hong Kong, Sir Edward Youde, left, was met by Britain's ambassador, Sir Richard Evans, when he arrived in Beijing Tuesday for the eighth round of talks on the future of Hong Kong. Hu Yaobang, general secretary of the Chinese Communist Party, was quoted by the Xinhua news agency Tuesday as saying that it is now possible to resolve the issue of Hong Kong's return to Chinese control when Britain's lease runs out in 1997 in a manner acceptable to both parties.

## Salvadoran Police Official Says Many Suspected in Death Squads Have Fled

By Jackson Diehl

Washington Post Service

SAN SALVADOR — As many as half of the civilians included on a U.S. Embassy list of death-squad suspects have fled El Salvador at the request of the Salvadoran government, according to the commander of the National Police.

Colonel Carlos Reynaldo Lopez Nuila said Monday that the embassy had given the Salvadoran authorities a list of 20 persons sus-

pected of death-squad activity, and that all but three were civilians.

"All of them have been told they should leave the country," Colonel Lopez Nuila said. "Some, perhaps the majority, have left." He did not disclose any names.

The police official's statement was the first public recognition by either U.S. or Salvadoran authorities of the number and official status of persons on the American list, which was turned over to the government in December. On a visit to San Salvador on Dec. 11, Vice President George Bush urged that those on the list be temporarily exiled.

Colonel Lopez Nuila confirmed that three Salvadoran officers included on the list had been transferred to posts abroad. His assertions that civilians made up the rest of the list and that most had left the country were at odds with reports from Salvadoran human rights groups and other official sources, which have said that more police and military officers were on the list and that most had refused to leave the country.

U.S. officials said they had no comment on Colonel Lopez Nuila's statement. There were reports that many of the civilians named had long been living outside of El Salvador.

Colonel Lopez Nuila reaffirmed declarations by the defense minister, General Carlos Vides Casanova, and other military officials that the government intended to crack down on the death squads, which are blamed for the deaths of more than 30,000 people in the last four years.

The colonel said that a special investigative group was being orga-

## 'Counter-Kissinger' Unit Calls For End of Military Aid to Central America

By Don Shannon

Los Angeles Times Service

WASHINGTON — A so-called Counter-Kissinger Commission, composed of scholars and former government officials, has called for an end to U.S. military aid to El Salvador and other Central American nations, a cutoff of support for anti-Sandinist guerrillas in Nicaragua and normalization of relations with Cuba.

The group asserted Monday that the National Bipartisan Commission on Central America, headed by former Secretary of State Henry A. Kissinger, presented on Jan. 11 a "prescription for disaster" in backing a military solution to the Salvadoran civil war and continued counter operations against the Nicaraguan government.

"U.S. direct investment in Mexico alone totals about seven times that in all the countries of Central America (excluding Panama)," it said. "Mexico, Argentina, Chile and Brazil cover three quarters of Latin America's territory and have three quarters of its population and its production."

"The outcome of the struggle in El Salvador or Guatemala is of minor importance compared to the crisis posed by the debt burden in these four countries.... At stake is not only the internal stability of major nations in the hemisphere, but — without exaggeration — the fate of major American banks and quite possibly the survival of the international monetary system. This is the true challenge to U.S. economic well-being in Latin America."

Policy Alternatives for the Caribbean and Central America, publishers of the study, is an organization founded at Stanford University in 1982 by Central American scholars and former officials. Its executive board, which includes Professors Richard R. Fagen of Stanford, Carmen Diana Deere Garcia of the University of

Massachusetts and William Leo-Grande of American University, contributed to the report, "Changing Course: Blueprint for Peace in Central America and the Caribbean."

Other contributors were Richard J. Barner, a Kennedy administration disarmament specialist; Dr. Walter LaFeber, an author and Cornell University history professor; and Roger Wilkins, a writer and former U.S. assistant attorney general.

They asserted that the Reagan administration and Mr. Kissinger's group erred in seeing the Nicaraguan and Salvadoran civil wars as arenas of East-West conflict.

■ Kissinger Report Backed

An interagency task force led by the State Department has recommended that President Ronald Reagan seek approval of "nearly all" the proposals of the Kissinger commission. The Washington Post reported Monday. The proposals could cost nearly \$10 billion in economic and military aid over the next five years.

The group's report does not recommend the restoration of a process requiring that military aid to El Salvador be made conditional upon the certification of progress in human rights there, according to State Department officials.

Instead, an official said, it "interprets the Kissinger proposals in light of the administration position," which opposes any certification requirement.

Neither does it recommend a Central American Development Organization that would control a quarter of American and other donors' economic aid to the region, linking it all to human rights progress, as the Kissinger report wanted. Instead, it calls for a regional discussion and planning organization under the same name.

■ Other deaths: Rebecca Shelley, 97, a World War I pacifist who lost her U.S. citizenship for 22 years after marrying a foreigner, and whose cause was taken up by authors Sinclair Lewis and H.L. Mencken, of natural causes Saturday in Battle Creek, Michigan. In 1943, the Justice Department ordered that she be allowed to regain her citizenship without swearing to bear arms.

Charles Guy Folke Greville, 72, the 7th Earl of Warwick, a wealthy British aristocrat, Friday in Rome.



**Edward J. Daly, World Airways Chairman, Dies**

Compiled by Our Staff From Dispatches

OAKLAND, California — Edward J. Daly, 61, chairman of World Airways, who built a shoe-

string airline into a no-frills challenger to the air travel giants, died Saturday after a long illness.

Mr. Daly bought what became the basis for World Airways in 1950 with \$50,000, leasing two war surplus C-46 cargo transports. Later, he expanded into travel, leasing and other ventures. Today, the airline is authorized to haul cargo and passengers throughout much of the world.

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## Military Shake-up Reported in Afghanistan

New York Times Service

NEW DELHI — President Babrak Karmal of Afghanistan, apparently angered by continuing rebel successes against his Soviet-supported regime, recently dismissed and replaced at least three top military officials, a Western diplomatic source said here Tuesday.

There has been no official announcement about the shakeup, but the diplomatic informant said that reports from Kabul, the Afghan capital, about the dismissals were accepted as accurate in diplomatic circles.

The list of dismissals was headed by General Babajan, the army chief of staff, who was retired and replaced by Lieutenant General Nazari Mohammad, the source said. He added that General Nazari is the former commander in chief of the Afghan Air Force and is regarded as "aggressive and dynamic," unlike his predecessor.

The dismissal followed a meeting held with senior party and Defense

Ministry officials Jan. 8 to express his dissatisfaction with the regime's conduct of the war against the Moslem rebels.

The diplomatic informant added that General Nazari's appointment also marked a rare occasion when a member of the Khalq, or Masses, faction of the ruling Afghan Communist Party, which is opposed to Mr. Karmal's own Parcham, or Flag, group, has been given such a prominent post. General Nazari, the source said, was probably viewed by Mr. Karmal as the only man "capable of whipping the Afghan military into shape."

The Afghan Army strength is estimated at about 30,000 men, about one third of its size when the battle between Afghanistan's first Marxist government and the Moslem insurgents began in 1978.

Area experts say that the sharp drop in number of soldiers has been caused by desertions, heavy casualties and a failure to attract enough able-bodied men to the front.

The other two military appointments reported by the Western source were those of Major General Mohammed Nabi Azimi as deputy defense minister and Major General Ghulam Qadir Mikhel as army chief of operations. General Azimi filled a post that had been vacant for nearly one year after his previous occupant, General Khalilullah, was suspended. General Mikhel succeeded General Nuristan.

The effects of these changes were not immediately visible. The Western source said that on Jan. 13 nearly 50 government troops were killed in an ambush by the insurgents near Kabul. He also reported a series of assassinations of party officials and government supporters in the capital last week.

U.S. officials said they had no comment on Colonel Lopez Nuila's statement. There were reports that many of the civilians named had long been living outside of El Salvador.

Colonel Lopez Nuila reaffirmed declarations by the defense minister, General Carlos Vides Casanova, and other military officials that the government intended to crack down on the death squads, which are blamed for the deaths of more than 30,000 people in the last four years.

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## Congress and Cynical

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The Washington Post

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WEDNESDAY, JANUARY 25, 1984

Statistics Index

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## BUSINESS PEOPLE

### Midland Bank Appoints de Carmoy To Top Post of International Unit

Midland Bank is expected to appoint Hervé de Carmoy to the top post at its Midland Bank International Unit Feb. 3, when the London-based bank holds its next board meeting, banking sources say. A Midland spokesman in London declined to comment.

Mr. de Carmoy would take over the responsibilities of John G. Harris, 49, a director of Midland Bank and currently chief executive officer of Midland Bank International, who last week was appointed senior vice chairman and a director of San Francisco-based Crocker National Bank.

Mr. Harris, who takes over his new responsibilities at Crocker Feb. 6, is the fourth Midland official to be appointed to the 25-member board of Midland's troubled affiliate. Crocker, whose property loans led to a \$10-million loss in 1983, is 57-percent-owned by Midland Bank.

Mr. de Carmoy, who is French, currently is a general manager of Midland, responsible for regional management worldwide and corresponding banking. He also is president of Midland's Paris unit, Midland Bank SA.

### SEB Appoints Olsson as Chairman

The board of Skandinaviska Enskilda Banken has appointed Carl G. Olsson, 56, as chairman, succeeding Lars-Erik Thunholm, who retires in March. Mr. Olsson has served as first deputy chairman of the board and group director of the Stockholm-based bank since 1982.

Mr. Thunholm is also chairman of the Stockholm board, which handles matters pertaining to the head office. SEB International and Stockholm central office business. The bank said that the board "now proposes that a particular chairman be appointed to the Stockholm board, which rule already applies to the Göteborg and Malmö boards."

Peter Wallenberg, 57, has been named to succeed Mr. Thunholm at the helm of the Stockholm board.

Lennart Johansson, chairman of the Göteborg board, and Sten Lindh, chairman of the Malmö board, have both been re-elected. Messrs. Wallenberg, Johansson and Lindh are currently deputy chairmen of SEB's board of directors.

### Other Appointments

British Aerospace has appointed Peter Jeffs to the new position of executive vice president, military affairs, in the Washington office of British Aerospace Inc. Mr. Jeffs, 49, has been with British Aerospace, which already has extensive interests in the United States, since 1979, when he was appointed director general, marketing, and principal deputy to the head of defense sales for the British government.

Dresdner Bank of Frankfurt has established a new subsidiary in Switzerland. Helmut Stumacher is to be in charge of the head office in Zurich, and Werner Benz is to oversee the Geneva branch of Dresdner Bank (Switzerland) Ltd.

Martin E. Harrison, a vice president and senior investment officer of Morgan Guaranty Trust Co., has been named the bank's head of international investments. He succeeds Karl R. Van Horn, who was appointed chief executive officer of American Express Asset Management Holdings, a new unit of American Express.

Seal, the Spanish state-owned motor vehicle maker, has appointed Juan Antonio Diaz Alvarez as chairman, following the resignation of Juan Miguel Antoniazon-Perez-Estigarribia.

Thomas L. Holton, chairman of Peat Marwick since 1979, has been named to the additional post of chairman of Peat Marwick International, the New York-based accounting firm's worldwide organization. Mr. Holton succeeds Sir John Griesdale, senior partner of Peat Marwick's British operation.

Enichem, the chemicals subsidiary of Italy's state-owned energy concern, ENI, and Europe's leading producer of synthetic rubber, has expanded its British sales presence with the opening of an office in Manchester. The new office, which is managed by M. Locke, will serve customers in northern England and Scotland. Mr. Locke was formerly with International Synthetic Rubber, a British-based company acquired by Enichem last year.

Horst Hinrichs has been named managing director of Wabco Westinghouse Fahrzeugbremsen GmbH, a Hannover-based maker of air brakes, anti-skid systems and other controls for trucks and buses. Wabco is a subsidiary of American Standard Inc. Formerly, Mr. Hinrichs was vice president, international and business development, of the Wabco Automotive Products Group, based in the group's headquarters in Paris. American Standard is a diversified New York-based maker of railway and mass-transit braking and control devices and plumbing and other building products.

—BRENDA HAGERTY in London

## Shell Group Seeks Rest Of U.S. Unit

### Bids \$5.2 Billion For the Last 31%

By Bob Hagerty

International Herald Tribune

LONDON — The cash-rich Royal Dutch/Shell Group announced Tuesday an offer of about \$5.2 billion for the 31 percent it does not already own in Houston-based Shell Oil Co.

Investment analysts, caught by surprise, said the purchase would be a solid investment and increase the group's flexibility to make acquisitions in the United States.

The British-Dutch oil giant is offering \$55 a share to minority shareholders of Shell Oil, the group's main U.S. operating company. That represents a premium of 25 percent over Monday's closing price of \$44 for Shell Oil shares on the New York Stock Exchange.

The shares were suspended from early trading on Tuesday, but when trading resumed, Shell Oil stock traded \$9.50 a share to \$53.50 on volume of 968,200 shares.

On the London Stock Exchange, Royal Dutch shares rose 5 pence to close at £33.88.

Royal Dutch/Shell said Shell Oil's board was likely to consider the offer later this week.

Explaining the move, Sir Peter Baxendale, chairman of the group's British arm, said the United States is a major and probably increasing important area for the group. He added that full ownership of Shell Oil would allow the group to invest and operate in the United States without possible inhibitions created by the existence of minority interests.

Several analysts reached late Tuesday agreed that the purchase would make sense. "I think it's a very good move," said Carol Ferguson, oil analyst at the stockbrokerage of Wood, Mackenzie & Co.

She said the purchase would remove a possible impediment to major acquisitions in the United States. Such acquisitions might clash with the interests of minority shareholders in Shell Oil.

Miss Ferguson also said the (Continued on Page 10, Col. 6)

## A Roundup of 1983 Bank Results

1983 full year results for the nation's 15 largest bank holding companies

Return on Assets	Return on Equity	Leverage	Change in Earnings
Return on assets: 1983 vs. 1982	Return on equity: 1983 vs. 1982	Average primary capital: 1983 vs. 1982	Change in operating earnings: 1983 vs. 1982
1983	1983	1983	1983
J.P. Morgan	15.7%	10.3%	+45%
Bank of America	15.7%	10.3%	+33%
Wells Fargo	15.7%	10.3%	+28%
Citibank	15.7%	10.3%	+25%
First Interstate	15.7%	10.3%	+13%
Chase Manhattan	15.7%	10.3%	+12%
BankAmerica	15.7%	10.3%	+10%
First National	15.7%	10.3%	+9%
Bank of New York	15.7%	10.3%	+8%
Chemical Bank	15.7%	10.3%	+7%
Bank of Montreal	15.7%	10.3%	+6%
Bank of the South	15.7%	10.3%	+5%
Bank of the West	15.7%	10.3%	+4%
Bank of the Midwest	15.7%	10.3%	+3%
Bank of the North	15.7%	10.3%	+2%

\* Returns and change in earnings based on net income less preferred dividends. \*\* Cannot be calculated, loss in 1983.

## Shadow of Debt Crisis Helped Make '83 a Dim Year for Big U.S. Banks

By Robert A. Bennett

New York Times Service

NEW YORK — For the most part, 1983 was not a good year for the nation's 15 biggest bank holding companies, most of which operated under the shadow of the international debt crisis.

Fears that international loan losses would sharply cut into their profits, or even create major losses, caused their stocks to sell at unusually low price-earnings multiples. Such fears also influenced the decision by the nation's financial-rating agencies to downgrade all but one of the largest banks — J.P. Morgan & Co. — from their historic triple-A ratings.

Two major banking companies reported losses for the year, an extraordinary development. They were Crocker National Corp. of San Francisco and Interfirst Corp. of Dallas. The losses, however, did not stem from international lending but from loans to the domestic energy industry, real estate, and agriculture.

Despite the problems, seven of the 15 companies reported increases in the key indicator of basic profitability — the rate of return on net income applicable to common stockholders, or "ROA." These were: Bankers Trust New York Corp., Citicorp, Chase Manhattan Corp., all of New York; Continental Illinois Corp. and First Chicago Corp., both of Chicago; Mellon National Corp. of Pittsburgh, and Security Pacific Corp. of California.

Some of the increases, however, reflected one-time factors that substantially bolstered their earnings. "There was an incredible proliferation of non-recurring items," said Lawrence W. Cohn, first vice president and senior banking analyst of Dean Witter Reynolds & Co.

Manufacturers Hanover Corp., for example, reported that fourth-quarter net income of \$86.3 million included after-tax gains of \$23.7 million, from the sale of assets acquired from previous loan restructurings. Some of the assets were acquired decades ago.

Aside from the two banks that reported losses, those with declines in ROA were: J.P. Morgan & Co., Chemical New York Corp., Manufacturers Hanover,

all of New York; and Wells Fargo & Co. and BankAmerica Corp., both of California.

Analysts said it was difficult to say how much the international debt problem contributed to these declines. "You sure can't find it in the earnings," said Mr. Cohn.

But there were indications that some banks were feeling the pinch from the crisis, leading them to strengthen their reserves for loan losses, a move that reduces earnings.

Also, last year for the first time the Federal Reserve specified countries whose loans had to be partly written off. But the countries selected, such as Poland, Zaire, and Nicaragua, were ones to which most U.S. banks had small loans outstanding and the direct impact on earnings was therefore insignificant.

Still, the pressure was intense for a buildup in loan-loss reserves, and the increase was especially apparent in the fourth quarter. Because these reserves, along with common and preferred stock, count as part of a banking company's "primary capital," the buildup in the loan-loss reserve was reflected in rising ratios of primary capital to total assets, or a reduction in leverage.

Morgan, for example, traditionally the most heavily capitalized among the major banking companies, further bolstered its proportion of average primary capital to average total assets to 6.99 percent. Indeed, every one of the 15 holding companies substantially increased the ratio of capital to assets, though not by as much as Morgan.

Analysts said it was difficult to determine whether the increases in the loan-loss reserves reflected genuine concern by bank managements about the possibility of big international loan losses, or whether the moves were made to meet demands by regulatory agencies. The agencies insist that the major banks have primary capital equivalent to at least 5 percent of their total assets.

"Increasing loan-loss reserves is the cheapest way to build primary capital," said James J. McDermott Jr.,

(Continued on Page 10, Col. 6)

## U.S. Inflation At 3.2% in '83, Best Since '67

John M. Berry

Washington Post Service

WASHINGTON — U.S. consumer prices rose 0.3 percent last month and only 3.2 percent in 1983, the smallest rise since a 3.1% increase in 1967, the Labor Department reported Tuesday. The December rise equaled November's.

The year's modest rise in the Consumer Price Index, which was held down by stable energy prices, followed increases of 6.1 percent in 1982 and 10.4 percent in 1981.

On a December-to-December basis, the 1983 increase was somewhat larger, 3.8 percent, compared with a 3.9 percent rise the year before. Even on that basis, 1983's price performance was the best since a 3.4 percent increase in 1972, when wage and price controls were in effect.

The chairman of the Council of Economic Advisers, Martin S. Feldstein, called the year "outstanding" in terms of inflation.

The White House spokesman, Larry M. Speakes, said that President Ronald Reagan "believes that keeping inflation down is the surest way to keep interest rates down and the recovery sound... We're on the road to sustained growth with low inflation, and that's good news for everybody."

However, virtually all economists, including those in the administration, expect at least some acceleration in inflation this year as the economic expansion continues. Indeed, a small minority is warning that prices could be climbing at a 7 percent annual rate or more before the year is out.

The deep recession that ended late in 1982 is given most of the credit for reducing inflation. As the civilian unemployment rate rose to a peak of 10.8 percent, wage increases slowed sharply.

Most forecasters are predicting an increase in the CPI of about 4.5 percent to 5.5 percent this year. The official Reagan administration's forecast is at the low end of that range.

Food prices, which make up almost one-fifth of the CPI, increased only 2.1 percent in 1983,

compared with 4 percent the year before.

Energy prices rose only 0.8 percent as a 3.3 percent decline in gasoline prices and a 6 percent drop in fuel oil, coal and bottled gas prices nearly offset continued increases in electricity and natural gas costs. The latter two items went up 8.9 percent, the department said.

Among the other major CPI categories, housing prices were up 2.7 percent, apparel 2.5 percent, transportation 2.4 percent, entertainment 4 percent, medical care 8.7 percent, and other goods and services 10.9 percent.

Exxon Reports Profit Rose 10% In 4th Quarter

The Associated Press

NEW YORK — Exxon Corp., citing higher oil production and improved cost controls, said Tuesday that its fourth-quarter profit rose 10 percent from a year earlier, despite a 7-percent decline in revenue.

For all 1983, Exxon said its net income rose 19 percent to \$4.99 billion, or \$5.79 a share, from \$4.19 billion, or \$4.82 a share, in 1982. Annual revenue fell 9 percent, to \$94.6 billion from \$103.6 billion.

Exxon's chairman, Clifford C. Garvin Jr., said that improved production levels and cost controls had helped Exxon offset lower prices. Despite continued downward pressure on prices, he said, "the oil industry appears to be recovering slowly as market demand has improved from the severely depressed and unsettled situation a year ago."

## France Plans Rescue For Chapelle-Darblay

By Axel Krause

International Herald Tribune

PARIS — After several weeks of negotiations, the French government is expected to announce soon a package valued at 3.2 billion francs (\$372 million) aimed at saving France's largest papermaker, Chapelle-Darblay, industry and government sources disclosed Tuesday.

However, several key shareholders and banks also participating in the negotiations — including the Institute of Industrial Development, a government agency, and the nationalized Paribas banking group — have challenged some features of the plan as being too costly.

"Some of us are hesitating about the costs and conditions, wondering if it makes sense to save a company that probably is doomed anyway," one of the sources close to the negotiations said on condition he not be identified. "There is a lot of money involved," he added.

Chapelle-Darblay, which employs about 2,300 people, instituted bankruptcy procedures on Dec. 12, 1980 and has continued to re-

port growing losses. In 1982, the latest period for which figures are available, the company had a 144-million-franc loss on sales of about 1.1 billion francs.

But government officials insisted that the rescue package, being actively supported by Laurent Fabius, industry minister, and trade unions, will be approved, although some "modifications" may be made during the next several days.

"The government has approved the plan," a senior official in the Ministry of Industry said.

Finance Ministry sources said that discussions on details were continuing, and the sources there also brushed aside reports of disagreement.

The package calls for providing the company with about 1.4 billion francs in subsidies for plant modernization. It also provides for granting the company about 900 million francs in long-term, government-backed loans at very low interest rates, in addition to 900 million francs in credits and loans by nationalized banks and other French financial institutions.

"Whatever anyone else may say, (Continued on Page 13, Col. 2)

## N.Y. Stocks Close Mixed In Very Heavy Trading

United Press International

NEW YORK — The New York Stock Exchange finished mixed in very heavy trading Tuesday after an afternoon rally attempt fizzled. Disappointing earnings results of Merrill Lynch and Union Carbide restrained some investors but a couple of big merger plans in the oil whetted the appetites of speculators.

The Dow Jones industrial average, up 2 points at mid-afternoon, fell 1.57 to 1,242.88, the lowest level since it finished at 1,241.97 Dec. 20. The Dow, which plunged 14.66 Monday, has fallen 28.58 the past five sessions, the longest losing streak since it shed 29.47 from Sept. 27 through Oct. 3.

Advances topped declines 825-752 among the 2,029 issues traded. Big Dow volume totaled 103 million shares, up from the 82 million Monday, the second slowest session of the year.

"The market has been drifting lower even though there is a lack of fundamental news to justify it," said William LeFevre of Furell, Graham & Co. "Some investors might be nervous about what President Reagan is going to say in the State-of-the-Union speech tomorrow night."

Keith Hertel of Smith Barney,

Harris Upham said investors could not sustain the afternoon rally because "corporate earnings are not coming in as well as expected."

Archer-Daniels-Midland was the most active NYSE-listed issue, unchanged at 21 1/2 with a block of 2,400,000 shares at 21 1/2. First Boston plans to buy those 2.4 million shares.

American Telephone & Telegraph when-issued stock was the second most active issue, up 1/4 to 18 1/2. AT&T "old" stock added 1/4 to 66 1/2.

Among the regionals, Ameritech when-issued gained 1/4 to 67 1/2 and Pacific Telecom 1/4 to 61 1/2. NYNEX was unchanged at 63 1/2. Bell Atlantic when-issued lost 1/4 to 73. Southwestern Bell 1/4 to 64 1/2 and U.S. West 1/4 to 62 1/2.

Merrill Lynch, which reported a \$42-million fourth-quarter loss because of a Baldwin-United annuities problems, was third, off 1 1/2 to 31 1/2. (Story on Page 13.)

Howell Petroleum climbed 7/8 to 29 1/2. Howell Corp. said it planned to buy the 48 percent of Howell Petroleum it does not already own for \$30 a share.

Gentry Oil climbed 4 in 120. Texaco added 1/4 to 37 1/2. Texaco raised its bid for Gentry to \$125 a share from \$125, a total of \$10.1 billion.

## Here's how Digital keeps the lowest downtime among computer manufacturers



Colin Edwards, Data Processing Manager, Ingersoll Rand Europe

"Ingersoll Rand has centralized the control of their European Distribution Center in Fribourg, Switzerland. We, of course, demand optimum computer availability to meet the needs of our customers. To ensure that our computer capability is always ready, Digital Equipment has provided us with direct round-the-clock access to their European technical center in Southern France through a Service 800 toll-free number. This allows us to obtain a fast response to computer problems we meet. And that's one of the reasons why we chose Digital."

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Barcelona	302 22 82	Geneva	28 17 77	Luxembourg	48 45 58	Singapore	338 08 00
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Brussels	218 28 68	Helsinki	64 02 50	Milan	345 23 69	Stuttgart	22 03 13
Copenhagen	0430 00 08	Hong Kong	28 38 78	Munich	129 42 16	Vienna	54 11 86
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## CURRENCY RATES

Late interbank rates on Jan. 24, excluding fees. Official findings for Amsterdam, Brussels, Milan, Paris, New York rates at 4:00 pm EST.

	\$	DM	FF	£	Yen
Amsterdam	3.10	4.42	12.40	3.28	141.50
Brussels	3.10	4.42	12.40	3.28	141.50
Frankfurt	3.10	4.42	12.40	3.28	141.50
London	3.10	4.42	12.40	3.28	141.50
Milan	3.10	4.42	12.40	3.28	141.50
New York	3.10	4.42	12.40	3.28	141.50
Paris	3.10	4.42	12.40	3.28	141.50
Tokyo	3.10	4.42	12.40	3.28	141.50
Zurich	3.10	4.42	12.40	3.28	141.50

## Dollar Values

Currency	Per \$	Currency	Per \$	Currency	Per \$
U.S.	1.0000	U.S.	1.0000	U.S.	1.0000
U.S.	1.0000	U.S.	1.0000	U.S.	1.0000
U.S.	1.0000	U.S.	1.0000	U.S.	1.0000
U.S.	1.0000	U.S.	1.0000	U.S.	1.0000
U.S.	1.0000	U.S.	1.0000	U.S.	1.0000
U.S.	1.0000	U.S.	1.0000	U.S.	1.0000
U.S.	1.0000	U.S.	1.0000	U.S.	1.0000
U.S.	1.0000	U.S.	1.0000	U.S.	1.0000
U.S.	1.0000	U.S.	1.0000	U.S.	1.0000
U.S.	1.0000	U.S.	1.0000	U.S.	1.0000

(Continued on Page 12)

## INTEREST RATES

Jan. 24

### Eurocurrency Deposits

	3m	6m	9m	12m	15m	18m	21m	24m	30m
1M	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4
3M	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4
6M	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4
9M	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4
12M	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4	9 1/4

Rates applicable to interbank deposits of \$1 million minimum (or equivalent).

### Key Money Rates

United States	Close	Prev.	FR Rates	Close	Prev.
Discount Rate	8 1/2	8 1/2	Bank Base Rate	9 1/4	9 1/4
Federal Funds	9 1/4	9 1/4	Call Money	9 1/4	9 1/4
Prime Rate	11	11	91-day Treasury Bill	8 5/16	8 5/16
Broker Loan Rate	10 1/2	10 1/2	3-month Interbank	9 1/2	9 1/2
Commercial Paper, 30-179 days	9 1/2	9 1/2	<u>France</u>		
3-month Treasury Bills	8 1/2	8 1/2			
6-month Treasury Bills	8 1/2	8 1/2			
CDs 30-90 days	8 1/2	8 1/2			
CDs 6-84 days	8 1/2	8 1/2			



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## Bethlehem, Union File Action Seeking Cuts in Steel Imports

Compiled by Our Staff From Dispatches

BETHLEHEM, Pennsylvania — Bethlehem Steel Corp. and the United Steelworkers union filed a petition Tuesday that asks the government to impose a significant reduction in steel imports, through tariffs, quotas or a mixture of both.

The filing, which could affect imports from all countries, appeared likely to fuel the disagreement between the United States and Europe over U.S. steel imports. Last week, the vice president of the European Community's Executive Commission, Etienne Davignon, warned in Washington that EC countries might end voluntary curbs on steel exports to the United States if such a complaint were made.

The filing with the U.S. International Trade Commission was announced here by Bethlehem Steel and the United Steelworkers, and

in Washington by the trade panel. It asked that the foreign share of the U.S. steel market be reduced to 15 percent, from the most recent figure of 22.3 percent.

The complaint was filed under Section 201 of the 1974 Trade Act, which requires the trade panel to recommend that the president impose relief measures if it determines that there is a threat of economic injury to the United States.

If President Ronald Reagan agreed that there was such a threat, he could impose tariffs, quotas or both on imported steel. The measures would affect all countries, not only the Third World nations that U.S. steelmakers say have exported increasing quantities of cheaply-produced steel to the United States.

In announcing the filing of the suit, Bethlehem Steel and the steelworkers' union blamed record-high imports for "undermining" the do-

mestic industry and idling thousands of steelworkers.

"American trade policies are pushing the steel industry toward extinction, and the process is exacting a terrible human toll," said the United Steelworkers' acting president, Lynn Williams.

Bethlehem's chairman, Donald H. Trautlein, said the move was "in the interests of our stockholders, customers, suppliers and investors."

Mr. Trautlein and Mr. Williams said they had asked the government to limit foreign competitors to 15 percent of the U.S. market, compared with the 22.3-percent level of the past five months.

The American Iron and Steel Institute, the industry's Washington-based lobbying group, reported that in 1982, the last year for which full figures are available, imports accounted for a record-high 21.8

percent of steel sold in the United States.

The two sides asked the International Trade Commission recommend the quota to President Ronald Reagan within six months. Mr. Reagan would then have two months to approve, change or dismiss the plan.

No major steelmaker has ever sought protection under Section 201 before, according to the iron and steel institute.

In the past, steel trade suits had been brought under Section 301, which provides for relief only against imports produced with government subsidies that allow price advantages or those sold below the cost of production. U.S. Steel Corp., the largest U.S. steelmaker, has filed several such complaints.

Section 201 allows industries to get protection if they have been severely hurt by an increase in imports, regardless of whether the im-

ports have been fairly or unfairly traded.

If Mr. Reagan takes protective measures, there is a likelihood that the EC would retaliate. The complaint itself could lead the European Community to end an August 1982 agreement that limits the EC share of the U.S. market for 10 major product lines to slightly less than 6 percent.

Mr. Davignon, speaking at a news conference last Thursday in Washington, said "Europe reserves the right" to abrogate the accord, which was reached after months of talks between EC officials and Commerce Secretary Malcolm Baldrige.

The agreement, which involves carbon and alloy steels, is scheduled to last until Dec. 31, 1985. The EC has said its restraints were negotiated with an understanding that no complaints would be filed before then.

## Opel Planning \$2.6 Billion in Outlays to 1989

The Associated Press

RUESSELSHEIM, West Germany — Adam Opel AG, a unit of General Motors Corp. of the United States, said Tuesday it has set a capital-spending plan of 7.4 billion Deutsche marks (\$2.6 billion) through 1989.

Opel's chairman, Ferdinand Beickler, called it "the biggest investment program in the history of the company."

He said the project aims to secure the automaker's share of West German and foreign markets after Opel's unit sales advanced 23 percent in 1983.

The funds are primarily earmarked for Opel's main plant at Rueselsheim, where 4.7 billion DM will be invested by the end of 1988.

Another 2.2 billion DM will finance the modernization of its Bochum facility.

## Texaco Sweetens Its Offer for Getty

By Mark Potts

Washington Post Service

WASHINGTON — Texaco Inc. has sweetened its offer for Getty Oil Co. to a record \$10.1 billion, or \$128 a share, from the previous record of \$9.9 billion, or \$125 a share, ending a Getty family feud that threatened to scuttle the accord.

Meanwhile, Pennzoil Corp. is asking \$28 billion in damages in its suit challenging the Getty-Texaco merger agreement. But Pennzoil's chairman, J. Hugh Liedtke, said the company would rather merge with Getty than receive the requested damages.

There was no immediate comment from Pennzoil on Texaco's latest bid.

Texaco raised its offer for Getty Monday following an all-day meeting with attorneys for the several factions among J. Paul Getty's descendants. Texaco has agreed to buy the 40.2-percent stake in Getty held for the family by the Sarah C.

Getty Trust and the 11.8 percent held by the J. Paul Getty Museum, and is making an offer to buy the remaining stock for cash or securities.

The higher bid apparently satisfied three granddaughters of the late oil tycoon, who feared that the sale of the family trust's stock could endanger their chances to receive money from the trust or greatly reduce the amount of money they eventually would receive.

The granddaughters had favored the earlier plan to merge Getty with Pennzoil Corp., which would have left the trust with 57 percent of Getty and Pennzoil with a 43-percent stake.

The three family members had contended that provisions of the trust forbade sale of the trust's Getty Oil stock unless the family fortune was endangered.

Texaco said that all beneficiaries of the Getty Trust had approved the new plan, ending a court challenge that had resulted in a temporary bar to Texaco's takeover of Getty, even though a routine federal

antitrust review already has stalled the planned merger.

Pennzoil's request for damages was contained in an amended complaint filed by the company in connection with its lawsuit in Delaware Chancery Court against Texaco, Getty and Getty family interests.

The suit accuses the defendants of conspiring to breach a contract for a planned \$5.3-billion merger between Pennzoil and Getty in favor of the Texaco-Getty transaction.

Getty Oil and Texaco had no comment on the filing.

## Iceland Cuts Discount Rate

Reuters

REYKJAVIK — Iceland's central bank on Tuesday slashed its discount lending rate to 16.5 percent from 22 percent, prompted by a sharp drop in inflation. The cut, effective immediately, means that the discount rate has been halved in less than four months.

## Shell Group Seeks Rest Of U.S. Unit

(Continued from Page 9)

move would simplify the group's corporate structure and give it access to Shell Oil's cash flow. At present, the group must content itself with dividends from Shell Oil.

David Gray of James Capel & Co. also welcomed the plan. But he described the proposed terms as ungenerous and speculated that minority shareholders could try to resist, although there would be no incentive for another party to bid for a minority stake in Shell Oil.

Mr. Gray also suggested that the move could reflect concern over succession at Shell Oil. The company's chief executive officer, John Bookout, is nearing retirement. Though the group has got along well with Mr. Bookout, it might not want to risk conflict with future Shell Oil managers, Mr. Gray said.

Sir Peter said no management changes are planned for Shell Oil after the purchase and that the company would continue to operate autonomously.

Analysts said Shell Oil's attraction was underlined by that company's announcement Monday that it had made a promising oil discovery at Seal Island in the Beaufort Sea off Alaska.

Shell Oil, which has a 25.5 percent interest in the well, said further drilling would be needed to determine whether the field is worth developing.

Analysts noted that the group has plenty of cash for the acquisition. As of Sept. 30, cash and short-term securities totaled \$5.3 billion (\$7.4 billion), and the total is believed to have grown since then.

Shell Oil is due to report Wednesday on its 1983 results. In the first nine months, it earned \$1.08 billion, down 7 percent from a year earlier. Analysts called the performance solid in light of the general slump in profits at domestic U.S. oil companies and predicted that Shell Oil's earnings will rebound in 1984.

The group as a whole had net income of \$1.77 billion in the first nine months, up 41 percent from a year before.

## BUSINESS BRIEFS

### Apple Says Earnings Plunged 75% In Quarter, Presents New Computer

CUPERTINO, California (AP) — Apple Computer Inc. has reported sharply lower profit for its fiscal first quarter, citing price cuts for its Apple II computer line, increased spending on research and marketing costs.

The company has spent heavily to develop its new Macintosh personal computer, which it introduced Tuesday at the annual meeting.

Apple said Monday that its profit totaled \$5.8 million, or 10 cents a share, in the three months ended Dec. 31. That was a 75 percent drop from the year-earlier \$23.5 million, or 40 cents a share. Sales rose 48 percent, from \$214.3 million to \$316 million.

The results marked the second consecutive quarter that Apple reported a drop in profits from the year-earlier period.

John Sculley, president and chief executive officer of Apple, predicted in November that first- and second-quarter profits would be little changed from the \$5.1-million earnings in its fiscal fourth quarter.

### Trading in STC Remains Suspended

STOCKHOLM (Reuters) — Trading in Scandinavian Trading Co., in which AB Volvo has a 55-percent interest, is to remain suspended until the company announces its 1983 results on Wednesday, STC said Tuesday.

In a statement, STC said the results had been delayed because the assets of Scandirill, its unprofitable U.S. subsidiary, were still being evaluated. STC shares were suspended Monday at the company's request. STC announced in October that it planned to sell Scandirill as part of a major restructuring program.

Swedish newspapers reported market speculation that STC's losses may be substantially higher than the 475 million kronor (\$38 million) that it had forecast in December. The company reported a 1982 profit of 132 million kronor.

### Marinduque Shuts 2d Philippine Plant

MANILA (Reuters) — Marinduque Mining & Industrial Corp. has shut its nickel plant in the central Philippines because of a lack of capital to continue operations, the company said Tuesday. The plant closure was the second to be announced by Marinduque in less than two weeks. The plant, at Novec in the Saragosa region of the central island of Mindanao, was closed last month and is to remain idle until new funds from creditors are available, a company official said. Last week the company said it had suspended operations at its Sipalay copper mining facility on the central island of Negros, because of a lack of funds.

Marinduque, which is among the world's largest producers of nickel, has debts of 15.5 billion pesos (\$1.1 billion) and is seeking funds from Development Bank of the Philippines and Philippine National Bank.

### Fisons to Buy Canadian Peat Company

LONDON (Reuters) — Fisons PLC said Tuesday that it is acquiring Langley Peat North Ltd., a privately owned peat producer in Alberta, Canada, for 9.5 million Canadian dollars (\$7.6 million).

Langley's operations will complement Fisons' existing peat extraction business in British Columbia, Manitoba and New Brunswick, it added. The transaction is expected to be completed in the first quarter, subject to final conditions and Canadian official approval.

### Oy Wartsila Plans Share Offering

LONDON (IHT) — Oy Wartsila AB, the diversified Finnish shipbuilder, said it obtained shareholder approval Tuesday for an international equity offer later this year.

The company also said it plans to seek a listing for its shares on the London Stock Exchange. Wartsila, whose shares already are listed in Helsinki and Stockholm, said it is the first Finnish company to seek a listing in London.

The company said preliminary results for 1983 indicate that it had pretax profit of 500 million Finnish markkas (\$90 million), up 76 percent from 1982, on sales of 5.3 billion markkas, up nearly 40 percent. Shipbuilding accounts for about half of sales. Other products include machinery for the pulp and paper industry, locking devices, security systems and household glass and enamelware.

### Amexco Reports Loss of \$22 Million

NEW YORK (UPI) — American Express Co. has reported a fourth-quarter loss of \$22 million that reduced earnings for the year to \$515 million, from \$581 million in 1982.

Per-share earnings for 1983 were \$2.52 a share, down from \$3.02 a share in 1982. Revenue was \$9.8 billion in 1983, up from \$8.1 billion the previous year.

The fourth-quarter loss compared with earnings of \$156 million, or 81 cents a share, in the comparable period of 1982 and was caused by a \$230-million addition to the reserves of its Fireman's Fund Insurance Co. subsidiary to cover an increase "in both the frequency and severity of claims."

## '83 Was Dim Year for Big U.S. Banks

(Continued from Page 9)

senior vice president and director of research for Keefe, Bruyette & Woods, a firm that specializes in bank stocks.

To Mr. McDermott, Morgan's buildup of its loan-loss reserve reflected its "characteristic prudence and conservative management."

Cohn, "comes out of the shareholder's hide."

Analysts said a major question is whether the banks eventually recoup the loan-loss charges against their earnings. Much will depend on whether there are heavy losses from international lending. If the large debtors, such as Brazil, can keep their payments current, the banks will be able to build the reserves more slowly in the future, enabling greater profits.

"If the recovery continues and the debtor countries demonstrate Mexico-type responsiveness to austerity programs, in all likelihood the wolf will be kept from the door," said Mr. McDermott.

### Ford Motor Adds Engine

DETROIT — Ford Motor Co. said Tuesday its Lincoln-Mercury Division is adding a turbo diesel engine as an option for its 1984 Continental Mark VII and Continental passenger cars.

### Gold Options (quotes in \$)

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400	225.375	425.4225	425.4225
500	225.375	425.4225	425.4225

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AT&T	55.00	+0.50
Amex	120.00	+1.00
JP	40.00	+0.25
Chf	35.00	+0.25
W	42.00	+0.25
Go	38.00	+0.25
MS	32.00	+0.25
BA	28.00	+0.25
GM	25.00	+0.25
ES	22.00	+0.25
DU	20.00	+0.25
CC	18.00	+0.25
CV	16.00	+0.25
AW	14.00	+0.25
PL	12.00	+0.25
SL	10.00	+0.25
MD	8.00	+0.25
NR	6.00	+0.25
IS	4.00	+0.25
TE	2.00	+0.25

**Commodities**

Symbol	Price	Change
WTI	25.00	+0.25
WT	22.00	+0.25
WT	20.00	+0.25
WT	18.00	+0.25
WT	16.00	+0.25
WT	14.00	+0.25
WT	12.00	+0.25
WT	10.00	+0.25
WT	8.00	+0.25
WT	6.00	+0.25
WT	4.00	+0.25
WT	2.00	+0.25

**Gold**

Symbol	Price	Change
GC	369.95	+0.25
GC	369.40	+0.25
GC	368.95	+0.25
GC	368.50	+0.25
GC	368.05	+0.25
GC	367.60	+0.25
GC	367.15	+0.25
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GC	365.80	+0.25
GC	365.35	+0.25
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WT	20.00	+0.25
WT	18.00	+0.25
WT	16.00	+0.25
WT	14.00	+0.25
WT	12.00	+0.25
WT	10.00	+0.25
WT	8.00	+0.25
WT	6.00	+0.25
WT	4.00	+0.25
WT	2.00	+0.25

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Symbol	Rate	Change
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FF	6.55	+0.01
Y	163.35	+0.01
S	236.48	+0.01
HK	7.80	+0.01
SG	2.46	+0.01
TH	50.34	+0.01
IN	16.78	+0.01
JP	136.00	+0.01
SE	4.60	+0.01
NK	236.48	+0.01
MX	16.78	+0.01
BR	270.00	+0.01
RU	25.00	+0.01
UA	16.78	+0.01
GR	16.78	+0.01
IT	16.78	+0.01
ES	16.78	+0.01
PT	16.78	+0.01
UK	16.78	+0.01
US	16.78	+0.01

**Stocks**

Symbol	Price	Change
IBM	125.00	+1.00
GE	45.00	+0.25
AT&T	55.00	+0.50
Amex	120.00	+1.00
JP	40.00	+0.25
Chf	35.00	+0.25
W	42.00	+0.25
Go	38.00	+0.25
MS	32.00	+0.25
BA	28.00	+0.25
GM	25.00	+0.25
ES	22.00	+0.25
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CC	18.00	+0.25
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**Commodities**

Symbol	Price	Change
WTI	25.00	+0.25











## 2 Brokerages Fotomat Battling to Restore Profits

### Plan to Cover Overexpansion Blamed for Photofinisher's Problems

**New York Times Service**  
NEW YORK — Through the mid-1970s, it seemed that the world of photofinishing belonged to Fotomat Corp. Its tiny stores multiplied in shopping malls and parking lots across the United States at the rate of 500 a year. Revenue and profit tripled in five years.

But Fotomat's fortunes have turned blacker than badly overexposed film, and in the last two years, it has watched its empire of blue and gold kiosks fall apart. One prominent industry analyst said, "I gave up on them years ago."

Fotomat reported a loss in six of the last eight quarters, including \$13.6 million in the three months ended Oct. 31. It has sold 20 percent of its stock to the Japanese company that supplies its color paper and film, and paid \$9 million to settle a three-year-old antitrust suit brought by France's Biscuits, which charged that the company had tried to drive them out of business.

Last month, after selling off two divisions and beginning the shut-down of 1,000 of its 3,800 outlets, the company announced it could not pay \$12.5 million in debt due Dec. 31.

Last week Fotomat, which is based in St. Petersburg, Florida, said it was working with three major banks on a plan to restructure its debt, which it hoped to complete by the end of next month.

Its president, Richard W. Kernan, talks of improving service and of "making our photofinishing second to none," and estimates that the company will return to profitability by the end of the 1984 fiscal year.

Analysts and experts in the photofinishing industry fault Fotomat for shortsightedness and overexpansion during the years of plenty, and generally question whether the company can turn around without moving away from the kiosk business.

Eugene Glazer of Dean Witter Reynolds said: "The whole concept of kiosks was overexploited in the 1970s. Eventually, they ran out of the most desirable sites, and then they started to move into less desirable ones."

But Mr. Glazer and others also point to circumstances that have forced the whole photofinishing industry to scramble for business.

Most important, they agree, were the economic recession and the decline in spending on cameras and film. Picture-taking grew at an average annual rate of 5 percent from 1978 to 1983, compared with a 12 percent average from 1971 to 1978, according to Brenda Lee Landry, an analyst at Morgan Stanley.

Many expected Eastman Kodak's disk camera, introduced early in 1982, to bring the industry out of stagnation. But the costs of new equipment needed to process the special disk film were high and, while successful, the camera has not been the powerhouse that companies such as Fotomat had hoped for.

Enter the minilab, a relatively small, professional-quality processor that costs \$50,000 to \$100,000, fits in the back of a store and can produce prints from a roll of color film in under an hour. Conventional processing companies normally take two to three days to return prints, charging an additional fee for overnight service. At an average of \$1.95 for film developing and 29

cents for each print, minilab prices are comparable to those of Fotomat, Kodak and other processors.

Since their introduction two years ago by Noritsu Koki, a Japanese company that has produced at least half of the units now in operation, minilabs have appeared in many of the high-traffic sites that kiosks once dominated. There may be as many as 3,000 units to the United States, according to Photo Weekly, a trade publication; market share estimates range from 10 percent to 20 percent.

These little stores have captured the fancy of a lot of consumers, said D. Carl Hamill, president of Colorcraft Corp., a Florida industrial subsidiary that has found relative success concentrating on wholesale processing for retail stores without their own photofinishing facilities. "The kiosk has sort of been upstaged," he said.

Fotomat has begun limited experiments with minilabs, but has said any entry into the segment would be limited.

Analysts said that the minilab has upstaged everyone, taking business away from the larger photofinishing companies and giving it to much smaller entrepreneurs.

Kodak is said to control about 8 percent of the processing business, with Fotomat, Colorcraft and Fox-Stanley Photo Products sharing another 15 percent between them.

But minilabs have not been the industry's elixir. If anything, experts say, they may serve only to induce price competition where profits are already hard to come by. "Margins in the business have always been very narrow," Miss Landry said.

But minilabs have not been the industry's elixir. If anything, experts say, they may serve only to induce price competition where profits are already hard to come by. "Margins in the business have always been very narrow," Miss Landry said.

## France Plans Rescue for Chapelle-Darblay

(Continued from Page 9)

we are concerned about the terms of the loan guarantees and operating conditions" in the plan, one of the participants said. He noted that the previous government of President Valéry Giscard d'Estaing had rejected a government rescue plan for the company, whose only shareholders were the institute and the formerly privately owned Paribas.

In the plan being discussed now,

**Idle Shipping Tonnage Declines by 18%**

The Associated Press

LONDON — Idle merchant shipping tonnage declined 18 percent from June 1 to Nov. 30, the General Council of British Shipping reported Tuesday, adding that the drop could signal the end of the recession in the international shipping industry.

the institute and Paribas would each wind up owning roughly 33 percent of the company, with the remaining shares split among several French banks and other financial institutions.

Management responsibility, and possibly a minority share, is expected to be offered to John Kila, former president of Paribas, a Dutch paper group that has been interested in reorganizing Chapelle-Darblay. The company was recently acquired by the Haindl paper company of West Germany, which also employs roughly 2,300 workers, government and banking sources said.

Although many details must be settled, industry sources said that there probably will be "reorientations" in the French company's activities, possibly towards magazine paper and graphics, while the company reduces its production of newspaper. It also was not clear Tuesday night how many jobs

would be eliminated, a crucial issue for the government, which is seeking to curb growing unemployment.

## Oil Executives Criticize Planned Tax in Australia

The Associated Press

CANBERRA, Australia — Australian oil executives met with government officials Tuesday, and criticized a proposed resources tax as potentially harmful to efforts to make Australia self-sufficient in oil.

The chairman of Esso Australia, Jim Kirk, said that a new tax would hinder efforts to find high-risk, high-potential fields that Australia needs. But the resources and energy minister Peter Walsh said that the proposal would replace present taxes with more equitable ones and that the government might allow companies to write off losses from unsuccessful projects.

## Judge Turns Down Plea To End Manville Shelter

By Tamar Lewin

New York Times Service

NEW YORK — In a major victory for Manville Corp., a U.S. bankruptcy judge refused to dismiss the Chapter 11 bankruptcy proceedings that the company filed 17 months ago to try to resolve thousands of asbestos-related lawsuits against it.

Judge Burton R. Lifland also agreed to appoint someone to represent the thousands of future asbestos claimants the company expects.

His decision, the first in the United States to say that courts can deal now with the claims that will arise as more workers develop asbestos-related diseases, was immediately attacked by lawyers for asbestos plaintiffs. "I think it's safe to assume there will be an appeal," said Robert Rosenberg, bankruptcy lawyer for the claimants. "We think he's wrong on the law and misunderstands the facts."

Lawyers for the asbestos litigants had sought to have the Chapter 11 proceedings dismissed on the grounds that Manville had enough money to pay the asbestos claims. Mr. Lifland's decision went against those of other judges who have considered the question of Chapter 11, a company gets court

protection from its creditors while it tries to work out a plan to reorganize and pay its debts.

Asbestos-related illnesses often do not manifest themselves until 20 or 30 years after exposure to asbestos. Some estimates put the number of future claims against the company as high as 100,000.

"From the inception of this case, it has been obvious to all concerned that the very purpose of the initiation of these proceedings is to deal in some fashion with claimants exposed to the ravages of asbestos dust who have not as of the filing date manifested symptoms of asbestos disease," Mr. Lifland said.

A reorganized Manville will have to be accountable to future asbestos claimants, whose compelling interest must be safeguarded, Mr. Lifland said. Such a reorganization should "leave a residue of assets sufficient to accommodate a meaningful resolution of the Manville asbestos-related health problem," he said Monday.

John A. McKinney, the chairman of Manville, said he was delighted with the decision.

Mr. Lifland's decision went against those of other judges who have considered the question of Chapter 11, a company gets court

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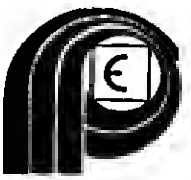
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The Daily Source for Investors







## Soccer Refs Could Use Rugby's Iron Hand

## Hot Streak

professional status, Stenmark said he will race this weekend in a giant slalom at Garmisch-Partenkirchen, West Germany, a race he usually avoids because of its similarity to the downhill. But the lure of combination points and the possibility of winning a fourth overall cup title, now that defending champion Phil Mahre of the United States seems

"I'm not angry about missing the Olympics," Steenmark said. "I'm skiing exceptionally well these days."

4. Andreas Wenzel, Liechtenstein, 142.  
 5. Anton Steiner, Austria, 113.  
 6. Girardelli, 111.  
 7. Urs Rober, Switzerland, 104.  
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